NICOLA WEALTH
PUBLIC ASSETS

Nicola Canadian Equity Income Fund Quarterly Report | Q2 2025

Overview

The Nicola Canadian Equity Income Fund aims to combine stable income with long-term capital growth through a high-conviction, all-cap strategy focused on Canadian companies. Anchored by core holdings with proven profitability and complemented by opportunistic ideas with supportive near-term potential, the Fund targets quality businesses with attractive dividends. A disciplined, bottom-up process and active risk management underpin its goal of delivering consistent, risk-adjusted returns across market cycles.

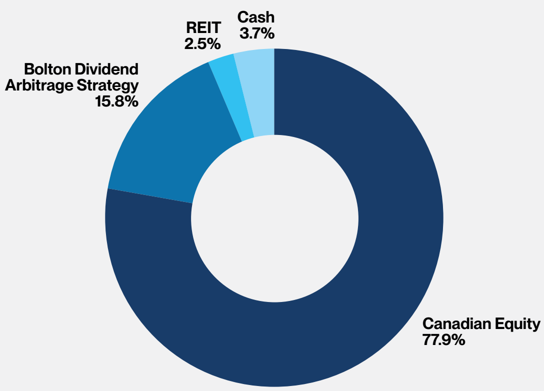
Highlights

Long-term, quality-focused – The Fund takes an independent, bottom-up process to determine a proprietary quality rating rating and minimum return threshold for companies. Core holdings have historically demonstrated consistent and sustainable growth in profitability.

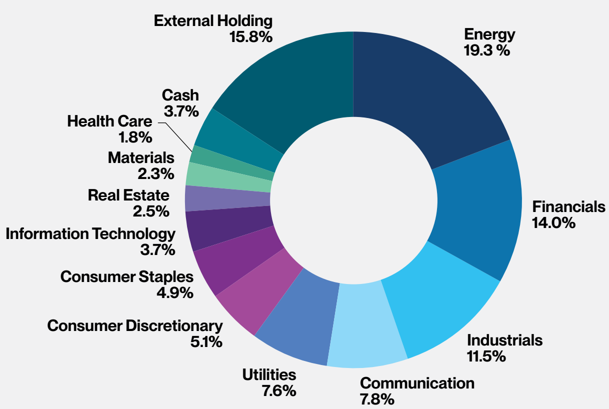
Reliable income component – The Fund aims to invest in companies that pay historically and growing dividends and seeks to generate a competitive dividend yield against the S&P/TSX Canadian Dividend Aristocrats Index. The Fund may use option writing and preferred shares to enhance its cash yield.

Diversified and concentrated – The Fund invests across all sectors and market capitalizations of the Canadian equity market and takes meaningful positions based on risk-reward thresholds.

HOLDINGS BY ASSET MIX as of June 30, 2025



HOLDINGS BY SECTOR as of June 30, 2025



Equity Characteristics

Forward Price-to-Earnings (P/E)	15.4x
Enterprise Value-to-EBITDA	8.6x
Net Debt-to-Forward EBITDA	2.3x
Return on Equity	14.3%
# of Holdings	36
Dividend Yield [1]	4.2%

Returns as of June 30, 2025

YTD	7.7%
1 month	2.5%
3 month	9.2%
6 month	7.7%
1 year	20.4%
3 year	13.3%
5 year	14.5%
10 year	7.9%
Since inception*	7.4%

February 28, 2005

Calendar Year Returns

2024	19.4%
2023	7.7%
2022	-1.0%
2021	23.6%
2020	-1.9%
2019	17.5%
2018	-11.9%
2017	11.1%
2016	18.7%
2015	-4.3%

Performance

Nicola CEIF returned +9.2% in Q2 bringing YTD return to +7.7%. On a long-term basis, the 5-year and 10-year annualized returns are +14.5% and +7.9%, respectively. Q2 performance was aided by strong returns from the following investments:

1. **Finning International (+44.7% Q2):** The world's largest distributor of Caterpillar industrial equipment saw its share price rise more than 30% on the back of strong Q1 results, as well as the announced sale of a non-core segment and a dividend increase. FTT experienced stable to improving growth and profitability across its operating regions, and continues to display strong management of its financial resources leading to another quarter of healthy cash generation.
2. **Andlauer Healthcare (+36.8% Q2):** AND is a leading supply chain management company offering a platform of customized third-party logistics ("3PL") and specialized transportation solutions for the healthcare sector. Over the past two decades the company has built an impressive network of highly specialized assets across Canada which resulted in them becoming the leader in Canadian healthcare transportation and logistics. On April 24, UPS announced they had entered into an agreement to acquire Andlauer, sending the share price up +24% that day.
3. **Canadian Tire (+25.5% Q2):** Canadian Tire is an iconic Canadian retailer that has preserved its relevance among consumers for 100+ years. It looks to maintain this position by leveraging data from one of the country's largest loyalty programs – Triangle Rewards. Stabilizing consumer spending and balance sheet de-levering initiatives have helped to drive a rebound in the stock during Q2.

Assets under management was $791.4M as of the end of June.

New Investments / Exits

During the quarter, Nicola CEIF made changes to improve the portfolio's quality and dividend characteristics. Compelling risk-reward profiles led to the introduction of eight new positions (details below), funded in part through the exit of nine names in the portfolio.

Brookfield Infrastructure Partners (BIP) – A high-quality, global and diversified collection of infrastructure assets that produce stable cash flows with upside associated with economic activity and automatic fee escalators. Given these characteristics, we see BIP as well-positioned to grow its dividend, which currently yields a healthy 5.3%, over the long-term.

Canadian Utilities (CU) – A diversified global energy infrastructure corporation providing solutions in a number of areas including electricity, natural gas transmission, energy storage, and industrial water. We believe CU's track record of consistent dividend payments and medium-term rate-regulated growth should provide good defense in the current market environment.

Bank of Nova Scotia (BNS) – With assets of ~$1.4T Scotiabank is one of the largest banks in North America and a member of the "Big 6" in Canada. Over half of its revenues are derived from Canada, a country it serves through its network of ~890 branches. It also has a large international footprint (primarily in the US and Latam) that represents over 30% of revenues. Under new CEO Scott Thomson, Scotiabank appears to be placing less focus on its Latin American and developing markets business and more focus on its North American franchise – a move we believe should lead to more predictable earnings and higher ROE longer-term. We view BNS' ~6% dividend yield as enticing given it sits towards the upper-end of historical averages.

Canadian Natural Resources (CNQ) – One of Canada's leading integrated energy companies engaged in the exploration, development, and production of crude oil, natural gas, and related products. We view CNQ as a well-regarded operator and capital allocator, and among the more defensive of the large cap integrated E&P players in Canada.

Terravest Industries (TVK) – TerraVest is an acquirer of industrial manufacturing and services companies with a competitive advantage in buying steel. While TerraVest has some exposure to tariffs on steel and aluminum, management believes they can mitigate this risk through their steel purchasing strategy. The company has high insider ownership, a long history of delivering profitable growth through the business cycle, and has grown its dividend at a rate of 20% per year since 2022.

Waste Connections (WCN) – WCN is an integrated provider of solid waste collection, transfer, and disposal services across North America. The company has attractive defensive characteristics supported by a unique asset network and sports an impressive track record of growing its dividend by 25% annually since 2010.

Pembina Pipeline (PPL) – PPL is an integrated midstream operator that owns an extensive network of energy infrastructure assets throughout Canada's most prolific oil and gas regions. The company has a disciplined history of growing its dividend, which currently yields 5.6% and is well-covered by its fee-based cash flows.

Our Thoughts On:

The Canadian Equity Market

Over the past twelve months, we have witnessed continued multiple expansion (earnings yield compression) of the S&P/TSX Canadian Dividend Aristocrats Index – and in our portfolio – on account of various macro (i.e. rate cuts) and micro (i.e. better than expected earnings) factors. Relative to other indices from developed markets, namely the S&P 500, Canada remains in a position of better value and healthy fundamentals, sporting a P/E multiple which is roughly in line with the long-term averages.

The Canadian equity market is experiencing a notable shift as investors move away from Guaranteed Investment Certificates (GICs) and cash equivalent products due to declining interest rates. With GIC yields falling below 3% following multiple rate cuts by the Bank of Canada, dividend-paying sectors such as banks, insurers, and pipelines have become increasingly attractive. These sectors have performed well in 2025, while utilities and REITs are beginning to recover from earlier underperformance. Communications has underperformed some other sectors recently, but may benefit from a catch-up rally if wireless competition moderates. Approximately $100 billion in GICs are repricing each quarter, and this steady flow is expected to accelerate the migration toward high dividend paying equities. Canadian dividend equities are well-positioned to benefit from continued fund flows throughout the year.

Our Fund

Investment selection is largely based on a bottom-up process that employs a scorecard approach, which assesses a company's quality rating among five key attributes: sustainable competitive advantages, capital allocation record, management alignment, consistency of profits and cash flow, and attractiveness of ROE and ROIC. The Nicola CEIF team maintains a robust inventory of potential investments and their risk-reward ratios, to monitor the best available opportunities. The Fund currently consists of 36 companies, of which 50% of AUM is concentrated in the top ten ideas. We believe the portfolio displays attractive characteristics. In our view, the Fund's approach of investing in quality dividend payers at a reasonable price should lead to better risk-adjusted returns than the benchmark, over time.

Top 10 Holdings as of June 30, 2025

Holdings	Weight	Description
Gibson Energy Inc.	8.1%	A Canadian energy infrastructure company providing services related to the storage, transportation, and marketing of petroleum products.
Toronto-Dominion Bank	7.8%	One of Canada's largest banks, offering a wide range of banking products and services, including retail banking, wealth management, and corporate banking.
Telus Corporation	5.7%	A Canadian Communication company providing broadband internet, television, and wireless services.
Canadian Tire Corporation - Class A	4.9%	A Canadian retail company offering a variety of products including automotive, home, and sporting goods, as well as financial services.
Canadian Utilities Ltd	4.8%	A Canadian diversified utility company engaged in electricity generation, transmission, and distribution, as well as natural gas transmission and distribution, and energy services.
Bank of Nova Scotia	4.5%	A major Canadian multinational banking and financial services company providing personal and commercial banking services.
National Bank of Canada	3.9%	A leading Canadian financial institution offering a wide range of banking and financial services.
Brookfield Infrastructure Partners	3.5%	A global infrastructure company that owns and operates diversified infrastructure assets across utilities, transport, midstream, and data sectors.
Alimentation Couche-Tard Inc.	3.2%	A Canadian multinational operator of convenience stores, including the Circle K brand.
Sun Life Financial Inc.	3.2%	A Canadian financial services company providing insurance, wealth management, and asset management services globally.
Total	**49.6%**	

[1] *Dividend Yield represents the weighted average yield of the fund's underlying equity holdings. It is calculated as the weighted average of the forward estimated 12-month dividends divided by the most recent closing price.*